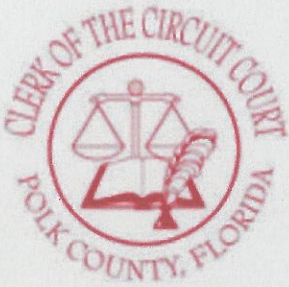


**BOARD OF COUNTY COMMISSIONERS
POLK COUNTY, FLORIDA**

INTERNAL AUDIT REPORT

SOLID WASTE ASSESSMENT ROLL

Audit No. 12-01



Richard M. Weiss

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and

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July 30, 2012

**INTERNAL AUDIT REPORT
SOLID WASTE ASSESSMENT AUDIT**

Report Issued to the Polk County Board of County Commissioners and
County Manager:

Sam Johnson, Commission Chairman
Melony Bell, Commission Vice Chairman
Bob English, Commissioner
Todd Dantzler, Commissioner
Edwin Smith, Commissioner
Jim Freeman, County Manager

The Internal Audit Department has been completed an audit of the Polk County Solid Waste Assessment Roll. The internal audit report follows. The purpose, background, scope and methodology of the audit begin the report, and are followed by our, overall evaluation, findings, recommendations and management's responses.

We express our sincere appreciation to Waste Resource Management personnel that participated in this audit for their excellent cooperation and assistance.

Respectfully submitted,

Richard M. Weiss

RICHARD M. WEISS,
CLERK, AUDITOR, AND ACCOUNTANT TO THE BOCC
POLK COUNTY, FLORIDA

By: George L. Whitehurst, CPA
Interim Internal Audit Manager

cc: Stacy Butterfield, Director, Finance and Accounting
Director
Bill Beasley, Deputy County Manager
Michael Craig, County Attorney
Nelson Stiles, Interim Director, Waste Resource Management
Honorable Jerry Hill, State Attorney

POLK COUNTY
SOLID WASTE ASSESSMENT ROLL AUDIT

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The Internal Audit Department of the County Comptroller to the Polk County Board of County Commissioners has completed an audit of the Polk County Solid Waste Assessment Roll. This roll is intended to provide a listing of residential dwelling units subject to Polk County's annual solid waste assessment fees.

PURPOSE

This audit was performed as a result of a local citizen's concerns that vacant parcels were inappropriately assessed for the Board of County Commissioner's (BoCC)'s solid waste fee and created an overpayment to the BoCC's contracted waste hauler. Based upon meetings, discussions and information provided by the citizen, a preliminary review of the information and records available indicated further action was warranted. The BoCC agreed that the Clerk, in his capacity as Internal Auditor, should conduct an audit of the Solid Waste Assessment roll. As such, the primary purpose of this audit was to determine if the BoCC's annual solid waste assessments levied against residential property and corresponding payment for contracted refuse services were in compliance with ordinance 89-17 "Polk County Solid Waste Collection, Disposal and Assessments" and the "Solid Waste Franchise Agreements" between the BoCC and Republic Waste Services. Secondly, we reviewed the BoCC's and Republic Waste Service's compliance with certain ancillary responsibilities and obligations specified in the Solid Waste Franchise Agreements.

BACKGROUND

The BoCC's Waste Resource Management Division has the responsibility for implementing and monitoring BoCC directives involving solid waste operations. The responsibility for maintaining the assessment roll lies solely with the Waste Resource Division. The Division currently operates a single centrally located landfill serving commercial, government and residents for the disposal of various types of refuse and recyclable material. A scale house terminal, equipped with a computerized weight scale system and staffed by two customer service representatives is the entry and exit point for all customers of the landfill. The system records the customer account number, entry and exit times, quantity and type of refuse and transaction fee charged. For fiscal year 2011, operating revenue approximated \$33 million, with 64% or \$21 million attributable to assessment receipts from residents participating in the BoCC's collection and disposal program. The remaining 36% was refuse from municipalities and local businesses.

In 1989, under the authority of Chapter 125, Florida Statutes, the BoCC enacted ordinance 89-17 titled "The Polk County Solid Waste Collection, Disposal and Assessment Ordinance". This ordinance established the BoCC as sole provider of residential refuse services to the

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approximately 373,000⁽¹⁾ citizens residing in the unincorporated areas of the county and provides for the voluntary inclusion of local municipalities. To finance the newly enacted responsibilities, the ordinance authorizes the BoCC to levy non-ad valorem assessments against residential dwelling units within the service areas in amounts no greater than the cost of services provided. To effectuate collection of assessments, the ordinance declares Polk County's Administrator or his designee as responsible for creating a "Preliminary Solid Waste Assessment Roll" listing each assessed residential parcel, a summary description of each parcel, name and address of the owner and assessment imposed.

Annually, the BoCC's Waste Resource Management Division develops the tentative collection and disposal assessment rates with the intent of covering the county's actual costs of providing these services. In addition, the Division creates the "Preliminary Annual Solid Waste Assessment Roll" by extracting property parcel information from the Polk County Property Appraiser's records and adjusting the records to establish the Roll in conformity with Ordinance 89-17. The tentative assessment rates and preliminary roll are submitted to the BoCC for adoption by resolution.

As specified by section 197.3632, Florida Statutes and Ordinance 89-17, each year on or before August 1st, the BoCC shall adopt the rate resolution establishing the solid waste assessment rates to be imposed against each residential parcel within the service area. Once the rate resolution has been adopted, but before September 15th, the BoCC ratifies and confirms the "Preliminary Annual Solid Waste Assessment Roll". The adopted "Annual Solid Waste Assessment Roll" is then certified by the Chairman of the BoCC or his designee to be free of errors and omissions and transmitted to the Polk County's Tax Collector's Office. The assessments are included on the annual ad valorem tax bill for residents in the service area and are remitted to the BoCC through the Tax Collector's Office. Table 1 below provides a historical prospective of the number of residential dwelling units on each respective year's "Annual Solid Waste Assessment Roll", the associated collection and disposal assessment rates and the potential annual revenue for 2006 through 2012 fiscal years.

TABLE 1

SOLID WASTE ASSESSMENT REVENUE PROJECTION							
Fiscal Year	2006	2007	2008	2009	2010	2011	2012
Assessment Roll Per DR 403	128,865	135,711	137,766	138,633	139,362	139,422	139,903
Assessments:							
Collection	\$ 125.41	\$ 125.41	\$ 125.41	\$ 125.41	\$ 125.41	\$ 100.00	\$ 113.50
Disposal	49.09	49.09	49.09	49.09	54.00	54.00	54.00
Total Assessment	174.50	174.50	174.50	174.50	179.41	154.00	167.50
Projected Revenue	\$ 22,486,943	\$ 23,681,570	\$ 24,040,167	\$ 24,191,459	\$ 25,002,936	\$ 21,470,988	\$ 23,433,753

¹ 2010 US Census Data estimates Polk population of 602,000 with 62% residing in unincorporated areas.

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In conjunction with the enactment of Ordinance 89-17, the BoCC entered agreements with multiple companies for refuse collection services. Each company was assigned a designated area for collection of residential refuse and was compensated based on the number of assessed dwelling units within their respective service areas as listed on the "Annual Solid Waste Assessment Roll".

In August 2005, in an attempt to gain greater efficiencies, the BoCC entered an exclusive five year contract titled "Residential Solid Waste Franchise Agreement" with Republic Waste Services for collection of residential refuse, recyclables and yard trash generated throughout the unincorporated areas of the county as well as participating municipalities. In 2010 Republic Waste Services was awarded a second five year contract beginning with the 2011 Fiscal Year. The terms of the agreements provide that Republic Waste will be compensated based on the number of residential dwelling units listed on the BoCC's adopted "Annual Solid Waste Assessment Roll" and the contractually approved rate for each respective Fiscal Year.

As noted previously, the "Solid Waste Franchise Agreements" specify that, once adopted, the roll quantity and assessment rates are fixed for the ensuing fiscal year (coincident with contract year) unless notice is received from Republic Waste Services by February 1st. Otherwise the roll as adopted remains in effect until the next year's BoCC adopted roll. During any given fiscal year, newly constructed homes lying within the service areas, although contractually required to be served, are not added to the assessment roll used to calculate monthly payments to Republic Waste Services. For these newly constructed homes, the owners are assessed one twelfth of the then current fiscal year's assessment rate times the number of whole months remaining in the fiscal year. The prorated assessments are collected through the Building Department and do not affect the payments to Republic Waste Services. The newly constructed homes are added to the "Preliminary Annual Solid Waste Assessment Roll" and when adopted by the BoCC, are included on the Roll for the ensuing fiscal year payments to the Contractor.

SCOPE

The scope of our Solid Waste landfill revenue audit included:

- Interviews with division personnel involved with the annual Solid Waste Assessment Roll.
- Evaluation of the procedures and controls exercised over changes made to the roll.
- Reconciliation of the services provided to fees paid.

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- Testing of the annual Solid Waste Assessment Rolls for 2006-2012 Fiscal Years.
- Review of Ordinance 89-17 governing the “Solid Waste Assessment Roll’s” development and approval process.
- Review of the agreements between the BoCC and Republic Waste Services for refuse collection.
- Interviews with Republic Waste Services personnel.
- Other audit testing and evaluations as considered necessary and appropriate.

AUDIT METHODOLOGY AND CONCLUSIONS

As noted previously, our primary focus was on the “Annual Solid Waste Assessment Roll” and payments to the hauler. We reviewed Ordinance 89-17 which establishes the rules for the Roll’s formation, required parcel data, parcel additions and deletions and places oversight responsibility with the BoCC’s Administrator (County Manager) or his designee. The BoCC designated the Waste Resource Management Division with the implementation of the ordinance, creating the “Preliminary Annual Solid Waste Assessment Roll”, performing the calculations for the payment to the vendor based on contracted collection and disposal assessment rates.

We tested the BoCC adopted “Annual Solid Waste Assessment Roll” by selecting a sample of 390 assessed parcels from each of the seven years under audit. For each parcel we determined if the parcel was properly assessed based on the criteria established in Ordinance 89-17. Table 2 below displays the assessed parcel population, the sample size and associated errors.

TABLE 2

TEST OF SOLID WASTE ASSESSMENT ROLL							
Fiscal Year	2006	2007	2008	2009	2010	2011	2012
Solid Waste Assessment Roll (a)	128,865	135,711	137,766	138,633	139,362	139,422	139,903
Sample Size	390	390	390	390	390	390	390
Assessed in Error	3	5	3	4	3	3	1
Errors as Percent of Sample	0.7692%	1.2821%	0.7692%	1.0256%	0.7692%	0.7692%	0.2564%
Projected Error In Population (b)	991	1,740	1,060	1,422	1,072	1,072	359

a.) Roll Quantity from DR 403

b.) % Error in sample x Roll

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We categorized the assessment errors noted above based on the apparent reason for the error. Of the 22 errors noted, all were related to vacant lots, of which nine involved issues related to new home construction permitting. The new home construction errors were a result of the parcels being added to the "Solid Waste Assessment Roll" prior to the issuance of the Certificate of Occupancy (CO) contrary to Ordinance 89-17. The remaining vacant parcel errors were a result of assessments on parcels that although currently vacant, may have had a dwelling unit on the property at sometime in the past. This could occur as a result of the structure being removed by intentional demolition, fire, storm, or some other natural disaster.

Based on our initial test, we extracted from each year's roll, those parcels having the same profile as those tested and assessed in error. In essence, all parcels assessed in error were coded as vacant on the assessment roll. Table 3 below shows the number of vacant parcels extracted from each roll year under audit. Please see Exhibits A and B in the appendix section for additional detail.

TABLE 3

NUMBER OF VACANT PARCELS ASSESSED BY YEAR							
Fiscal Year	2006	2007	2008	2009	2010	2011	2012
Assessment Roll	128,865	135,711	137,766	138,633	139,362	139,422	139,903
Vacant Parcels (a)	8,010	7,924	3,209	2,086	1,795	1,645	1,133
% of Roll Coded Vacant	6.216%	5.839%	2.329%	1.505%	1.288%	1.180%	0.810%

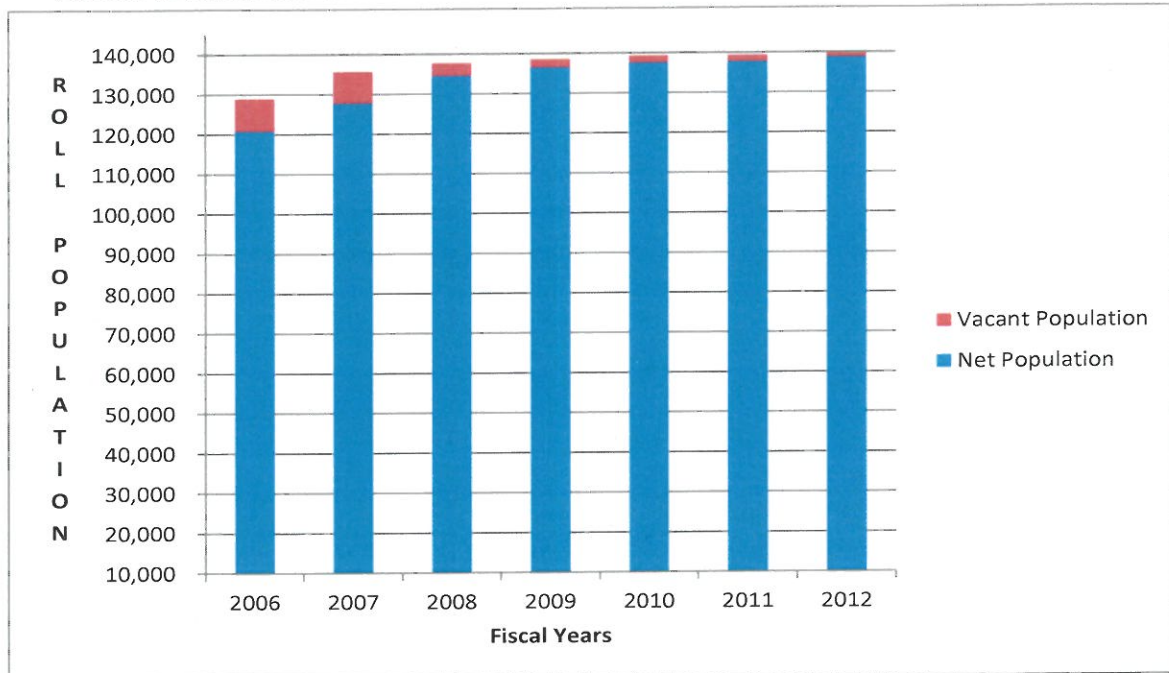
a) Vacant Parcels include Residential and Commercial codes

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The chart below illustrates the magnitude of vacant and assessed parcels in comparison to the total quantity of parcels on the “Annual Solid Waste Assessment Roll” for each year.

FISCAL YEARS 2006-2012
VACANT ASSESSED AS A COMPONENT OF THE ROLL POPULATION



The vacant and assessed population diminishes from 6.20% in the 2006 fiscal year to .81% for the 2012 fiscal year. Based on our understanding of the Waste Resource Management Division’s practice of adding newly constructed homes to the assessment roll based on permits, we further divided our extracted sub population into vacant parcels with and without residential permits. Table 4 below displays the segregated sub population.

TABLE 4

TEST OF VACANT PARCELS WITH PERMIT AND ASSESSED							
FISCAL YEAR	2006	2007	2008	2009	2010	2011	2012
Solid Waste Assessment Roll	128,865	135,711	137,766	138,633	139,362	139,422	139,903
Vacant Residential Parcels Assessed	8,010	7,924	3,209	2,086	1,795	1,645	1,133
Less: Parcels With No Permit	2,051	1,202	286	288	615	666	540
Vacant Assessed With Permit	5,959	6,722	2,923	1,798	1,180	979	593
Error Rates per Test Results (1)	28.92%	27.18%	36.88%	42.07%	43.75%	37.22%	37.50%
Projected Error	1,723	1,827	1,078	756	516	364	222

(1) See Appendix for Exhibit A

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After isolating vacant parcels with an outstanding permit, we return to the total population of vacant and assessed parcels to isolate and test the parcels without permits. Table 5 below displays the vacant population net of parcels with permits, errors, and projected errors.

TABLE 5

TEST OF VACANT PARCELS WITH NO PERMIT AND ASSESSED							
FISCAL YEAR	2006	2007	2008	2009	2010	2011	2012
Solid Waste Assessment Roll ^(a)	128,865	135,711	137,766	138,633	139,362	139,422	139,903
Vacant Residential Parcels Assessed	8,010	7,924	3,209	2,086	1,795	1,645	1,133
Less: Parcels With a Permit	5,959	6,722	2,923	1,798	1,180	979	593
Vacant Assessed no Permit	2,051	1,202	286	288	615	666	540
Error Rates per Test Results ^(b)	28.92%	27.18%	64.69%	72.56%	48.61%	36.04%	22.96%
Projected Error	593	327	185	209	299	240	124

^(a) Roll Quantity From DR 403

^(b) See Appendix for Exhibit A - Error rates are a weighted average of Vacant parcels and vacant TPP parcels

Totals shown in Tables 4 and 5 are components of the total projected errors for years 2006 through 2012 as shown in Table 6. (See finding 1)

As part of our methodology, we contracted with CliftonLarsonAllen LLP to perform agreed upon procedures to confirm our findings for those parcel samples that were deemed to be properly assessed. Their work has been incorporated in our test results.

OVERALL EVALUATION

It is our opinion, based on the results of the audit, the "Annual Solid Waste Assessment Roll" for the 2006 through 2012 fiscal years was overall materially correct. However, our audit did reveal segments of the assessment roll population that contain high error rates, in particular newly constructed dwelling units and vacant parcels with assessments. In our estimation, incorrect assessments totaled approximately \$1.46 million as shown in Table 6, Finding 1. Of the \$1.46 million, we estimate \$1.4 million was overpaid to Republic as shown in Table 7, Finding 1. In addition, Republic was overpaid approximately \$188,000 for the Fiscal Year 2006 as shown in Finding 4.

It is important to note that \$1.1 million of the \$1.46 million projected error noted above was attributable to the practice of adding parcels with new home construction to the Solid Waste Assessment Roll prior to the issuance of a certificate of occupancy contrary to Ordinance 89-17. The remaining \$340,000 in projected error was due to parcel splits, intentional demolition or natural disaster. Our tests of the total Annual Solid Waste Assessment Rolls for the 2006 through 2012 fiscal years revealed error rates ranging from a high of 1.28% to a low of .26%.

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Our six findings, their causes and consequences are categorized herein. In addition, management's response has been incorporated into each finding where applicable and management's complete response has been included in the appendix as exhibit E.

We wish to express our sincere appreciation to the Waste Resource Management staff, the Polk County Property Appraiser's Office and the Polk County Tax Collector's Office for the help and cooperation we received during the audit.

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FINDING 1

The Waste Resource Management Division levied non-ad valorem assessments against vacant parcels contrary to Polk County Ordinance 89-17.

Ordinance 89-17, "Polk County Solid Waste Collection, Disposal and Assessment", establishes authority over the collection and disposal of waste refuse and imposes an annual assessment against residential dwelling units within the unincorporated areas of the county. The ordinance defines a Single Family Dwelling Unit as "a building, mobile home or portion thereof designed for residential occupancy which is arranged, designed or used as living quarters for one family only." The ordinance requires BoCC approval of an "Annual Solid Waste Assessment Roll" listing the residential units to be assessed and providing the total dwelling unit count used for calculating monthly payments to Republic Waste Services for collection and disposal services.

Our initial tests of the total Annual Solid Waste Assessment Rolls for the 2006 through 2012 fiscal years revealed error rates ranging from a high of 1.28% to a low of .26%. The assessment roll population, sample sizes and error rates are noted in Table 2 below.

TABLE 2

TEST OF SOLID WASTE ASSESSMENT ROLL							
Fiscal Year	2006	2007	2008	2009	2010	2011	2012
Solid Waste Assessment Roll (a)	128,865	135,711	137,766	138,633	139,362	139,422	139,903
Sample Size	390	390	390	390	390	390	390
Assessed in Error	3	5	3	4	3	3	1
Errors as Percent of Sample	0.7692%	1.2821%	0.7692%	1.0256%	0.7692%	0.7692%	0.2564%
Projected Error In Population (b)	991	1,740	1,060	1,422	1,072	1,072	359

a.) Roll Quantity from DR 403

b.) % Error in sample x Roll

In evaluating the individual errors, we determined that all involved vacant parcels. Additional analysis revealed that vacant parcels were added to the roll in anticipation of residential construction completion or were not deleted in a timely fashion following structural demolition or natural disaster. As a result of our initial test and discussions with Solid Waste management, we isolated all parcels coded as vacant from each year's Assessment Roll and tested this sub population to determine if they were correctly assessed. The sub population, sample sizes, error rates and projected financial impact are noted in Table 6 below.

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TABLE 6

PROJECTED OVER ASSESSMENT ON VACANT PARCELS ⁽¹⁾							
Fiscal Year	2006	2007	2008	2009	2010	2011	2012
Population	8,010	7,924	3,209	2,086	1,795	1,645	1,133
Sample Size	370	390	441	569	496	598	320
Errors	107	106	244	331	329	301	132
Error Percent ^(a)	28.92%	27.18%	39.36%	46.26%	45.40%	36.72%	30.54%
Projected Error	2,316	2,154	1,263	965	815	604	346
Assessment Rates	\$ 174.50	\$ 174.50	\$ 174.50	\$ 174.50	\$ 179.41	\$ 154.00	\$ 167.50
Projected Error in Dollars	\$ 404,142	\$ 375,873	\$ 220,394	\$ 168,393	\$ 146,219	\$ 93,016	\$ 57,955
TOTAL PROJECTED OVER ASSESSMENT = \$ 1,465,992							
⁽¹⁾ See Exhibit A For additional detail							

^(a) Weighted average error percentages are based on vacant parcels with and without permits and TPP parcels.

The Assessment Rate is established by the BoCC during the budget process, taking into account all revenue and expenditures for solid waste collection.

Our test of the isolated sub population revealed error rates from a high of 46.26% to a low of 27.18%. The over assessment to Solid Waste customers totals approximately \$1.46 million for the fiscal years 2006 through 2012.

The incorrect assessments on vacant parcels resulted in property owners being assessed for services not received. Because payment to Republic is based on the total solid waste assessment roll, and there were errors as shown in Table 6, Republic was overpaid/credited as shown on Table 7 below.

TABLE 7

PROJECTED OVERPAYMENT/CREDIT TO REPUBLIC WASTE								TOTAL
Fiscal Year	2006	2007	2008	2009	2010	2011	2012	
Projected Error	2,316	2,154	1,263	965	815	604	346	
Contract Rates Per Unit ^(a)								
Collection	120.48	120.48	127.2	131.76	138.36	95.52	100.32	
Disposal	47.40	47.40	44.88	42.96	44.16	40.20	38.28	
Collection overpayment	\$ 279,032	\$ 259,514	\$ 160,554	\$ 127,148	\$ 112,763	\$ 57,694	\$ 34,711	\$ 1,031,516
Disposal overpayment	\$ 109,778	\$ 102,100	\$ 56,683	\$ 41,456	\$ 35,990	\$ 24,281	\$ 13,245	\$ 383,533
Total Payment/Credit	\$ 388,810.00	\$ 361,614.00	\$ 217,337.00	\$ 168,604.00	\$ 148,753.00	\$ 81,975.00	\$ 47,956.00	\$ 1,415,049

^(a) Rates were negotiated based on terms of the contract

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RECOMMENDATION

We recommend the BOCC establish policies and procedures to identify customers who were incorrectly billed and, should the BoCC so determine, establish a methodology for a refund application process. In addition, due to the errors shown in Table 7 in the Solid Waste assessment roll, we recommend the BOCC consider remedies to recover overpayment from Republic Waste Services.

MANAGEMENT RESPONSE:

Findings #1 and #2 – Management Response

The internal audit outlines the following three categories related to billing of “vacant” parcels, which management will address individually:

- Tangible personal property;
- Building permits without certificates of occupancy, and
- Other vacant parcels not associated with the other two categories.

Tangible Personal Property

Management Comments:

This category constitutes 0.38% of total projected over-assessment amount.

The assessment of tangible personal property is a challenge due to the inherent transient nature of the residential structure. This category on the Property Appraiser’s records relates to a mobile home owner, who places their unit on a lot owned by another person. The mobile home owner then pays a fee through the issuance of a decal by the Tax Collector rather than through an ad valorem assessment on the tax bill, which is sent to the lot owner.

Of the five “errors” identified in the tangible personal property sample from 2006 to 2012, management concurs that three were assessed in error. Management disagrees with classifying the following two lots as “errors:”

- **1509 Alice Avenue – Classified as an “error” in tax year 2011**
The Property Appraiser’s Office conducted an image review in November 2010 and made no adjustments to the file. The Property Appraiser inspector removed improvements from this record on March 2, 2012.
- **5014 Dove Cross Drive – Classified as an “error” in tax year 2010.**
The mobile home was placed on the lot in 2005. It was classified as tangible personal property because the mobile home owner did not own the lot at that time.

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It was reclassified as real estate in 2010 because the mobile home owner apparently bought the lot. A review of the Property Appraiser's 2009 aerial photography by management shows a structure on the lot. In addition, Lakeland Electric confirmed to county staff that continual electrical service has been provided to an account at this address since 2005.

Using the five errors in the sample, the internal auditor projected a total error rate over seven years for the tangible personal property category of 34 lots. By establishing only three errors in the sample, the projected error rate would be 20 lots.

Management Actions:

Due to the low error rate and the on-going challenge of tracking mobile home structures, no management action is anticipated at this time.

Policy Considerations:

1. A potential policy change that could improve the accuracy of billing tangible personal property lots would be to require a permit to remove and transport a mobile home.
2. Consider pursuing legal action to recover this amount from Republic.
3. Consider a refund policy.

Collection of Solid Waste Assessment at Building Permit

Management Comments:

This category is the most significant, as it constitutes approximately 82% of the total projected over-assessment amount.

The provision of municipal services, including the collection and disposal of solid waste, is dependent on an effective means of billing and revenue collection. Municipal governments typically send a monthly bill to all residents for water and/or wastewater service, providing a cost-effective method to collect for other services (i.e., garbage collection/disposal, recycling, storm water, etc.). Polk County does not send a monthly bill to all residents, primarily because only a portion of unincorporated residents are served by Polk County Utilities.

Instead, counties have historically relied upon the "Uniform Method of Collection" authorized in Florida Statutes, which provides the opportunity to use the annual tax bill to collect fees more cost-effectively. However, in many cases, by using this process, county government is billing customers on an annual basis for a month to month service.

In an attempt to accurately bill for the partial year provision of solid waste collection and disposal services, staff has followed the practice of collecting a pro-rated assessment at the

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issuance of a building permit, in most cases, based on an estimated certificate of occupancy date provided by the applicant. It is apparent there were inadequate system controls between the Building Division and the Waste Resource Management Division to readily identify when a building permit did not result in a certificate of occupancy during that and potentially subsequent tax years.

While there may have been logical business and customer service reasons for this practice, management acknowledges it is inconsistent with Ordinance #89-17 and should not have been implemented without the Board approving an ordinance amendment authorizing it.

Management Actions:

On February 20, 2012, to ensure compliance with Ordinance #89-17, the County Manager directed the Building & Codes Director and Waste Resource Management Director to immediately begin the practice of collecting pro-rated solid waste assessments at the issuance of the certificate of occupancy. Given this procedure caused more than 80% of the over-assessment amount and over 85% relates to Polk County's production home building community, this change should largely address the possibility of similar problems in the future.

Policy Considerations:

1. Consider pursuing legal action to recover this amount from Republic.
2. Consider a refund policy.

Other Vacant Parcels

Management Comments:

This category constitutes approximately 17% of the total over-assessment amount.

Given the internal auditor's audit of individual records and staff's opportunity to review test results, management concurs with the majority of the findings. Waste Resource Management staff, however, did question the inclusion of 55 lots in the 1,036 errors noted in the report. The internal auditor did not provide feedback on why these lots were included based on the information management provided.

Management Actions;

A number of errors in this category are related to lots where the mobile home owner and property owner are one in the same. Due to the on-going challenge of tracking mobile home structures, no management action is anticipated at this time.

Policy Considerations:

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1. As previously noted, a potential policy change that could improve the accuracy of billing mobile home real estate would be to require a permit to remove and transport a mobile home.
2. Consider pursuing legal action to recover this amount from Republic.
3. Consider a refund policy.

Internal Auditor Response:

Based on our review of evidence provided by management, we have reversed our error count for the two Tangible Personal Property parcels noted above. All tables and financial projections in this report have been revised to reflect this correction.

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Finding No. 2

Non-ad valorem solid waste assessments levied against parcels with new home residential construction were based on building permits contrary to Polk County Ordinance 89-17.

Ordinance 89-17 "Polk County Solid Waste Collection, Disposal and Assessment" establishes authority over collection and disposal of waste refuse. The ordinance provides for the imposition of an assessment against residential dwelling units within the unincorporated areas of the county. At the beginning of the fiscal year following the issuance of the Certificate of Occupancy (CO), the parcel number, address and number of residential dwelling units is to be added to the Annual Solid Waste Assessment Roll. The Tax Collector's Office bills the assessment along with the home owner's annual ad valorem tax assessment.

Our test of the Annual Solid Waste Assessment Rolls for the 2006 through 2012 fiscal years and discussions with Waste Resource Management personnel revealed that as a matter of policy, vacant parcels with newly issued construction permits were added to the Solid Waste Assessment Roll prior to the Certificate of Occupancy date, contrary to the ordinance.

We conducted various tests and analytical reviews. Table 4 below relates only to vacant parcels with residential permits and displays an analytical review of the estimated population of vacant residential permitted parcels, assessed prior to their CO date. Also see Exhibit C.

TABLE 4

TEST OF VACANT PARCELS WITH PERMIT AND ASSESSED							
FISCAL YEAR	2006	2007	2008	2009	2010	2011	2012
Solid Waste Assessment Roll	128,865	135,711	137,766	138,633	139,362	139,422	139,903
Vacant Residential Parcels Assessed	8,010	7,924	3,209	2,086	1,795	1,645	1,133
Less: Parcels With No Permit	2,051	1,202	286	288	615	666	540
Vacant Assessed With Permit	5,959	6,722	2,923	1,798	1,180	979	593
Error Rates per Test Results (1)	28.92%	27.18%	36.88%	42.07%	43.75%	37.22%	37.50%
Projected Error	1,723	1,827	1,078	756	516	364	222
Assessment Rate	\$ 174.50	\$ 174.50	\$ 174.50	\$ 174.50	\$ 179.41	\$ 154.00	\$ 167.50
Projected Error in Dollars	\$ 300,664	\$ 318,812	\$ 188,111	\$ 131,922	\$ 92,576	\$ 56,056	\$ 37,185
Total Projected Assessment Prior To CO	\$ 1,125,326						

(1) See Appendix for Exhibit A

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RECOMMENDATION

We recommend that procedures be established to ensure compliance with Ordinance 89-17 related to the timing of the initial assessment for new residential construction.

MANAGEMENT RESPONSE:

See management's response for finding 1.

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Finding No. 3

Disposal and Collection Fees collected by the Building Department were not calculated upon the Certificate of Occupancy Date as required by Ordinance 89-17.

Ordinance 89-17, Section 29, imposes an interim solid waste assessment against residential property for which a Certificate of Occupancy is issued subsequent to the annual October 1st assessment date. The amount of the interim assessment shall be calculated as 1/12 of the current year's assessment rate times the remaining whole months in the fiscal year. These interim payments are to be paid in full through the BoCC's Building Department prior to the issuance of the Certificate of Occupancy.

We recalculated the interim assessment fees paid through the building department for the 2006 through the 2011 fiscal years revealing a significant number of errors. While the net effect was not financially material, we noted that the majority of assessments paid through the Building Department were calculated incorrectly. As shown in Table 8 below, the highest miscalculations were revealed in the 2006 fiscal year, with 6,194 out of 6,713 payments incorrectly calculated, and the lowest in 2011 fiscal year with 546 incorrect out of 616 payments. The Building Department advised it was their practice to allow the permit applicant to estimate the CO date rather than utilizing the actual CO date.

TABLE 8

INTERIM ASSESSMENT							
Fiscal Year	2006	2007	2008	2009	2010	2011	TOTAL
Parcels assessed correctly	519	412	346	228	119	70	
Parcels assessed incorrectly	6,194	2,957	1,210	833	657	546	
Total parcels assessed	6,713	3,369	1,556	1,061	776	616	
Total Net Dollar Error	\$ 1,644.04	\$ (62,987.03)	\$ (11,358.55)	\$ (747.77)	\$ 3,775.29	\$ 11,871.63	\$ (57,802.39)

over (under) assessed

customer paid less to general -

RECOMMENDATION

We recommend that the Building Department follow County Ordinance 89-17, Section 29, in performing calculations for the interim solid waste assessment.

- collecting on actual rather than estimate CO.

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MANAGEMENT RESPONSE:

Finding #3 – Management Response

Management Comments:

Management concurs with this finding.

Management Actions:

On February 20, 2012, to ensure compliance with Ordinance #89-17, the county manager directed staff to immediately begin placing solid waste accounts on the assessment roll and to include the collection of pro-rated solid waste assessments at the issuance of certificates of occupancy.

In addition, management controls have been instituted between the Building & Codes Division and the Waste Resource Management Division to ensure Waste Resource Management has accurate information on the certificates of occupancy issued each month to compare with building permit data previously provided.

Policy Considerations:

None.

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FINDING 4

Republic Waste Services was overpaid \$188,865 for the 2006 fiscal year.

The contractual agreement for refuse collection and disposal services stipulates that Republic Waste Services will be paid for services based on the number of dwelling units listed on the BoCC-approved "Annual Solid Waste Assessment Roll" and the approved collection and disposal rates. The contract further provides the BoCC-adopted roll is fixed unless changes are approved by the BoCC or its designee. The contractually agreed upon rate for the 2006 fiscal year was \$167.88.

Based on our review of the monthly payments to Republic Waste Services, we determined that the Solid Waste Management Division calculated the monthly payments during the 2006 fiscal year using 129,990 dwelling units instead of 128,865 as calculated using Form DR-403, a difference of 1,125 units. The Solid Waste Management Division was unable to explain the difference. The increase resulted in an overpayment of $1,125 \times \$167.88 = \$188,865$ to the Republic Waste Services hauler.

RECOMMENDATION

We recommend that the total and detailed dwelling unit count be included in the BoCC-approved resolution certifying the roll to form the basis for reconciliation between the BoCC-adopted roll and Form DR 403 provided to the Tax Collector.

Although the applicable contract ended in 2010, a new contract was awarded for an additional five years with the same vendor. We recommend that the BoCC consider remedies to recover overpayment from Republic Waste Services.

MANAGEMENT RESPONSE:

Finding #4 – Management Response

Management Comments:

In the 2005 agreement with Republic, the method of payment was based on the number of dwelling units (Section 6B). The payments to Republic during the year in question were correct based on the number of dwelling units shown on the report provided to Waste Resource Management. However, it is now apparent there is a discrepancy between the number of dwelling units on this report and the associated dollars on the same report.

The auditor calculated the overpayment by dividing the total dollars on this report by the assessment rate to determine the number of dwelling units, which was 1,125 less than the

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number of dwelling units on the same report. Management believes the more appropriate methodology would be to divide the total dollar amount on the certified DR-403 form submitted to the State Department of Revenue by the assessment rate to determine the accurate number of dwelling units. Using this methodology, the overpayment would be \$94,180.

Management Actions:

None.

Policy Considerations:

1. Consider pursuing legal action to recover this amount from Republic.

Change In Management's Response:

- In the "Management Comments" section related to "Finding #4" on page five, after reviewing additional information that was provided, I concur in whole with "Finding #4" to include the estimated over-payment amount.

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FINDING No. 5

The annual solid waste assessment roll certification lacks sufficient detail to determine the number of parcels being certified.

Currently, in order to determine the number of dwelling units, it is necessary to use the dollar amount of the roll in Form DR 403 and divide it by the BoCC-approved assessment and collection rate for the year.

RECOMMENDATION

We again recommend that the total and detailed dwelling unit count be included in the BoCC-approved resolution certifying the roll to form the basis for reconciliation between the BoCC-adopted roll and Form DR 403 provided to the Tax Collector.

MANAGEMENT RESPONSE:

Finding #5 – Management Response

Management Comments:

Florida Statutes, Sec. 197.3632 addresses use of the Uniform Method of Collection on the tax bill for special assessments and sets out the requisite procedures for that collection. Currently, the Property Appraiser makes the detailed assessment information available to the County by placing it on an FTP site which County employees have access to. This complies with the statutory requirement that the information “conform in format to that contained on the ad valorem roll submitted to the department” later by the Tax Collector. If the Board adopts the non-ad valorem assessment roll it is required to “specify the unit of measurement” and the “amount of the assessment.” That is normally set out in the Final Resolutions. Nothing in the statute requires that a copy of the assessment roll be physically present at the hearing.

By September 15, the Chairman of the Board of County Commissioners must certify the assessment roll to the tax collector “on compatible electronic medium.” There is no requirement that a hard copy of an assessment roll be transmitted or certified. The local government is required to “post the non-ad valorem assessment for each parcel on the roll.” That is done by the Property Appraiser and her electronic roll sent to the Tax Collector which includes every property listed by the tax ID number and each tax and assessment is posted to each property.

The Tax Collector is then required to provide the Department of Revenue with a copy of the assessment roll “containing the data elements and in the format prescribed by the executive

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director” of Department of Revenue.

No legal authorities have been found which would require a physical copy of the assessment roll, or the Property Appraiser or the County to provide such a copy. Experts in the field of the Uniform Method of Collection confirm that no jurisdictions they work with have actual hard copies of assessment rolls present at hearings.

Management Actions:

Management will work with the Property Appraiser each year to attempt to preserve the Tax Roll on compact disk.

Policy Considerations:

None.

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FINDING No. 6

Comprehensive Monitoring and Compliance Reviews of the Contract and Ordinance were not performed by the BOCC.

As we communicated with the BOCC, the County Manager and the County Attorney, our audit focused solely on the provisions in the Ordinance and contract related to assessments to solid waste customers and payments to the collector.

RECOMMENDATION

The BOCC should perform a comprehensive review of Ordinance 89-17 and the current contract with Republic to insure they are in full compliance with all provisions of both.

MANAGEMENT RESPONSE:

Finding #6 – Management Response

Management Comments:

Management has been working with the County Attorney's Office for some time to update the ordinance to coincide with current practices. The new ordinance has been ready to submit to the Board for consideration since late-2011; however, the County Manager delayed Board consideration pending completion of this audit. It should be noted that the current ordinance, along with its multiple amendments, contain outdated provisions not consistent with the modernization of Polk County's solid waste collection practices over the years (i.e., automated collection, once per week residential collection, single stream recycling, etc.)

During the course of this audit, the county manager directed staff, in conjunction with the County Attorney's Office, to complete a comprehensive review of each provision in the 2010 agreement with Republic to determine whether appropriate steps have been taken by both parties to ensure full implementation of the agreement. A report of the findings of this review is available. In summary, management found some provisions of the contract have not been satisfactorily managed by Waste Resource Management nor have all of Republic's responsibilities in the agreement been implemented.

Management Actions:

1. Management is in the process of addressing areas of deficiency by county staff and has informally initiated the dispute resolution process with Republic where

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appropriate in conjunction with the agreement in anticipation of formal notice as required by the contract.

2. In the near future, the County Attorney and County Manager will submit the new solid waste ordinance for Board consideration.

Policy Considerations:

None.

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APPENDIX

EXHIBIT A

Schedule of Sub Population Test Results By Fiscal Year

2012	Record Population	Sample Size	Error Count	Error Rate	Projected Error	SWA	Error Amounts \$
Vacant	240	240	116	48.33%	116	167.5	19,430
Vacant TPP	300	40	1	2.50%	8	167.5	1,340
Vacant Permit	593	40	15	37.50%	222	167.5	37,185
Total	1,133	320	132		346	\$167.50	\$ 57,955
2011	Record Population	Sample Size	Error Count	Error Rate	Projected Error	SWA	Error Amount \$
Vacant	378	378	233	61.64%	233	154	35,882
Vacant TPP	288	40	1	2.50%	7	154	1,078
Vacant Permit	979	180	67	37.22%	364	154	56,056
Total	1,645	598	301		604	\$154.00	\$ 93,016
2010	Record Population	Sample Size	Error Count	Error Rate	Projected Error	SWA	Error Amount \$
Vacant	376	376	293	77.93%	293	179.41	52,567
Vacant TPP	239	40	1	2.50%	6	179.41	1,076
Vacant Permit	1180	80	35	43.75%	516	179.41	92,576
Total	1,795	496	329		815	\$179.41	\$ 146,219
2009	Record Population	Sample Size	Error Count	Error Rate	Projected Error	SWA	Error Amount \$
Vacant	279	279	209	74.91%	209	174.5	36,471
Vacant TPP	9	0	0			174.5	-
Vacant Permit	1798	290	122	42.07%	756	174.5	131,922
Total	2,086	569	331		965	\$174.50	\$ 168,393
2008	Record Population	Sample Size	Error Count	Error Rate	Projected Error	SWA	Error Amount \$
Vacant	281	281	185	65.84%	185	174.5	32,283
Vacant TPP	5	0	0		0	174.5	-
Vacant Permit	2,923	160	59	36.88%	1078	174.5	188,111
Total	3,209	441	244		1263	\$174.50	\$ 220,394
2007	Record Population	Sample Size	Error Count	Error Rate	Projected Error	SWA	Error Amount \$
Combined	7,924	390	106	27.18%	2154	174.5	\$ 375,873
2006	Record Population	Sample Size	Error Count	Error Rate	Projected Error	SWA	Error Amount \$
Combined	8,010	370	107	28.92%	2316	174.5	\$ 404,142
Projected Error =						\$ 1,465,992	

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EXHIBIT B

Schedule of Error Rates in Dollars For Tested Sub Populations							
Vacant & Assessed							
Fiscal Year	Record Population	Sample Size	Error Count	Error Rate	Projected Error	Assessment Rate	Projected Error \$
2012	240	240	116	48.33%	116	\$167.50	\$ 19,430
2011	378	378	233	61.64%	233	\$154.00	35,882
2010	376	376	293	77.93%	293	\$179.41	52,567
2009	279	279	209	74.91%	209	\$174.50	36,471
2008	281	281	185	65.84%	185	\$174.50	32,283
2007	1202			27.18%	327	\$174.50	57,061
2006	2051			28.92%	593	\$174.50	103,478
Totals	4,807	1,554	1,036		1,956		\$ 337,172
Vacant TPP & Assessed							
Fiscal Year	Record Population	Sample Size	Error Count	Error Rate	Projected Error	Assessment Rate	Projected Error \$
2012	300	40	1	2.50%	8	\$167.50	\$ 1,340
2011	288	40	1	2.50%	7	\$154.00	1,078
2010	239	40	1	2.50%	6	\$179.41	1,076
2009	9	0	0	0.00%	0	\$174.50	-
2008	5	0	0	0.00%	0	\$174.50	-
Totals	841	120	3		21		\$ 3,494
Vacant with Permit & Assessed							
Fiscal Year	Record Population	Sample Size	Error Count	Error Rate	Projected Error	Assessment Rate	Projected Error \$
2012	593	40	15	37.50%	222	\$167.50	\$ 37,185
2011	979	180	67	37.22%	364	\$154.00	56,056
2010	1180	80	35	43.75%	516	\$179.41	92,576
2009	1798	290	122	42.07%	756	\$174.50	131,922
2008	2,923	160	59	36.88%	1,078	\$174.50	188,111
2007	6,722			27.18%	1,827	\$174.50	318,812
2006	5,959			28.92%	1,723	\$174.50	300,664
Totals	20,154	750	298		6,486		\$ 1,125,326
Total Projected Error in Dollars							\$ 1,465,992

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EXHIBIT C

SCHEDULE OF POPULATIONS, SAMPLE SIZES AND ERROR RATES

Vacant & Assessed						
Fiscal Year	Record Population	Sample Size	Error Count	Error Rate	Projected Error	
2012	240	240	116	48.33%	116	
2011	378	378	233	61.64%	233	
2010	376	376	293	77.93%	293	
2009	279	279	209	74.91%	209	
2008	281	281	185	65.84%	185	
Totals	1,554	1,554	1,036		1,036	
Vacant TPP & Assessed						
Fiscal Year	Record Population	Sample Size	Error Count	Error Rate	Projected Error	
2012	300	40	1	2.50%	8	
2011	288	40	1	2.50%	7	
2010	239	40	1	2.50%	6	
2009	9	0	0	0.00%	0	
2008	5	0	0	0.00%	0	
Totals	841	120	3		21	
Vacant with Permit & Assessed						
Fiscal Year	Record Population	Sample Size	Error Count	Error Rate	Projected Error	
2012	593	40	15	37.50%	222	
2011	979	180	67	37.22%	364	
2010	1180	80	35	43.75%	516	
2009	1798	290	122	42.07%	756	
2008	2,923	160	59	36.88%	1,078	
Totals	7,473	750	298		2,936	
Combined Vacant, TPP, & Permit Assessed For 2006 & 2007						
Fiscal Year	Record Population	Sample Size	Error Count	Error Rate	Projected Error	
2007	7,924	390	106	27.18%	2,154	
2006	8,010	370	107	28.92%	2,316	
Totals	15,934	760	213		4,470	
General Population						
Fiscal Year	Record Population	Sample Size	Error Count	Error Rate	Projected Error	
2012	139,903	390	1	0.2564%	359	
2011	139,422	390	3	0.7692%	1,072	
2010	139,362	390	3	0.7692%	1,072	
2009	138,633	390	4	1.0256%	1,422	
2008	137,766	390	3	0.7692%	1,060	
2007	135,711	390	5	1.2820%	1,740	
2006	128,865	390	3	0.7692%	991	
Totals	959,662	2,730	22		7,716	
Grand Totals	959,662	5,914				

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EXHIBIT D

SINGLE FAMILY RESIDENTIAL BUILDING PERMITS ^(a)						
Fiscal Year	2006	2007	2008	2009	2010	2011
Permits	5502	2095	1654	781	726	662

^(a) As reported in the 2011 CAFR pages I-25 and I-26

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EXHIBIT E

James P. Freeman
County Manager

William D. Beasley
Deputy County Manager

Lea Ann Thomas
Assistant County Manager



Board of County Commissioners

330 West Church Street
Post Office Box 9005
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Bartow, FL 33831

Telephone: (863) 534-6444
Fax: (863) 534-7069

July 24, 2012

Honorable Richard M. Weiss
Clerk, Comptroller & Auditor to the Board
Polk County Courthouse
Bartow, Florida

VIA Hand Delivery

RE: Preliminary Draft Audit Report on Polk County Solid Waste Assessment

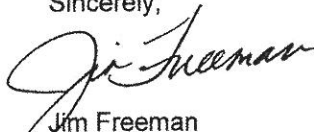
Dear Mr. Weiss:

Attached, please find management's response to the "Clerk's Preliminary Draft Audit Report on the Polk County Solid Waste Assessment Roll."

Thank you for the opportunity to have this response considered prior to issuance of the final report.

Please let me know if you have questions or wish to discuss this issue further.

Sincerely,


Jim Freeman
County Manager

Attachment

SOLID WASTE ASSESSMENT AUDIT

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EXHIBIT E

MANAGEMENT RESPONSE TO CLERK'S PRELIMINARY DRAFT AUDIT REPORT OF THE POLK COUNTY SOLID WASTE ASSESSMENT ROLL JULY 23, 2012

General Observations

- By taking the total cumulative dwelling units serviced during the seven-year period (959,662) and the projected errors in the audit report (7,716) on Exhibit B, the estimated error rate for the entire assessment roll would be less than one percent (approximately 0.8%).
- The internal auditor's conclusions are based on a review of each year's solid waste assessment roll. The audit did not consider the 1,721 corrections processed by Waste Resource Management staff after the assessment roll was produced during the seven-year period and their potential financial impact.
- While the exclusive use of aerial photography may be appropriate for a statistically-based internal audit, in addition, management has historically used electrical service, building permits, and/or field observation by the Property Appraiser's inspectors. These methods are a more reliable means to determine whether to assess the lot for solid waste collection and disposal on a year to year basis.

Findings #1 and #2 – Management Response

The internal audit outlines the following three categories related to billing of "vacant" parcels, which management will address individually:

- Tangible personal property;
- Building permits without certificates of occupancy, and
- Other vacant parcels not associated with the other two categories.

Tangible Personal Property

Management Comments:

This category constitutes 0.38% of total projected over-assessment amount.

The assessment of tangible personal property is a challenge due to the inherent transient nature of the residential structure. This category on the Property Appraiser's records relates to a mobile home owner, who places their unit on a lot owned by another person. The mobile

SOLID WASTE ASSESSMENT AUDIT

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EXHIBIT E

home owner then pays a fee through the issuance of a decal by the Tax Collector rather than through an ad valorem assessment on the tax bill, which is sent to the lot owner.

Of the five “errors” identified in the tangible personal property sample from 2006 to 2012, management concurs that three were assessed in error. Management disagrees with classifying the following two lots as “errors:”

- **1509 Alice Avenue – Classified as an “error” in tax year 2011**
The Property Appraiser’s Office conducted an image review in November 2010 and made no adjustments to the file. The Property Appraiser inspector removed improvements from this record on March 2, 2012.
- **5014 Dove Cross Drive – Classified as an “error” in tax year 2010.**
The mobile home was placed on the lot in 2005. It was classified as tangible personal property because the mobile home owner did not own the lot at that time. It was reclassified as real estate in 2010 because the mobile home owner apparently bought the lot. A review of the Property Appraiser’s 2009 aerial photography by management shows a structure on the lot. In addition, Lakeland Electric confirmed to county staff that continual electrical service has been provided to an account at this address since 2005.

Using the five errors in the sample, the internal auditor projected a total error rate over seven years for the tangible personal property category of 34 lots. By establishing only three errors in the sample, the projected error rate would be 20 lots.

Management Actions:

Due to the low error rate and the on-going challenge of tracking mobile home structures, no management action is anticipated at this time.

Policy Considerations:

4. A potential policy change that could improve the accuracy of billing tangible personal property lots would be to require a permit to remove and transport a mobile home.
5. Consider pursuing legal action to recover this amount from Republic.
6. Consider a refund policy.

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EXHIBIT E

Collection of Solid Waste Assessment at Building Permit

Management Comments:

This category is the most significant, as it constitutes approximately 82% of the total projected over-assessment amount.

The provision of municipal services, including the collection and disposal of solid waste, is dependent on an effective means of billing and revenue collection. Municipal governments typically send a monthly bill to all residents for water and/or wastewater service, providing a cost-effective method to collect for other services (i.e., garbage collection/disposal, recycling, storm water, etc.). Polk County does not send a monthly bill to all residents, primarily because only a portion of unincorporated residents are served by Polk County Utilities.

Instead, counties have historically relied upon the "Uniform Method of Collection" authorized in Florida Statutes, which provides the opportunity to use the annual tax bill to collect fees more cost-effectively. However, in many cases, by using this process, county government is billing customers on an annual basis for a month to month service.

In an attempt to accurately bill for the partial year provision of solid waste collection and disposal services, staff has followed the practice of collecting a pro-rated assessment at the issuance of a building permit, in most cases, based on an estimated certificate of occupancy date provided by the applicant. It is apparent there were inadequate system controls between the Building Division and the Waste Resource Management Division to readily identify when a building permit did not result in a certificate of occupancy during that and potentially subsequent tax years.

While there may have been logical business and customer service reasons for this practice, management acknowledges it is inconsistent with Ordinance #89-17 and should not have been implemented without the Board approving an ordinance amendment authorizing it.

Management Actions:

On February 20, 2012, to ensure compliance with Ordinance #89-17, the County Manager directed the Building & Codes Director and Waste Resource Management Director to immediately begin the practice of collecting pro-rated solid waste assessments at the issuance of the certificate of occupancy. Given this procedure caused more than 80% of the over-assessment amount and over 85% relates to Polk County's production home building community, this change should largely address the possibility of similar problems in the future.

SOLID WASTE ASSESSMENT AUDIT

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EXHIBIT E

Policy Considerations:

3. Consider pursuing legal action to recover this amount from Republic.
4. Consider a refund policy.

Other Vacant Parcels

Management Comments:

This category constitutes approximately 17% of the total over-assessment amount.

Given the internal auditor's audit of individual records and staff's opportunity to review test results, management concurs with the majority of the findings. Waste Resource Management staff, however, did question the inclusion of 55 lots in the 1,036 errors noted in the report. The internal auditor did not provide feedback on why these lots were included based on the information management provided.

Management Actions;

A number of errors in this category are related to lots where the mobile home owner and property owner are one in the same. Due to the on-going challenge of tracking mobile home structures, no management action is anticipated at this time.

Policy Considerations:

4. As previously noted, a potential policy change that could improve the accuracy of billing mobile home real estate would be to require a permit to remove and transport a mobile home.
5. Consider pursuing legal action to recover this amount from Republic.
6. Consider a refund policy.

Finding #3 – Management Response

Management Comments:

Management concurs with this finding.

Management Actions:

SOLID WASTE ASSESSMENT AUDIT

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EXHIBIT E

On February 20, 2012, to ensure compliance with Ordinance #89-17, the county manager directed staff to immediately begin placing solid waste accounts on the assessment roll and to include the collection of pro-rated solid waste assessments at the issuance of certificates of occupancy.

In addition, management controls have been instituted between the Building & Codes Division and the Waste Resource Management Division to ensure Waste Resource

Management has accurate information on the certificates of occupancy issued each month to compare with building permit data previously provided.

Policy Considerations:

None.

Finding #4 – Management Response

Management Comments:

In the 2005 agreement with Republic, the method of payment was based on the number of dwelling units (Section 6B). The payments to Republic during the year in question were correct based on the number of dwelling units shown on the report provided to Waste Resource Management. However, it is now apparent there is a discrepancy between the number of dwelling units on this report and the associated dollars on the same report.

The auditor calculated the overpayment by dividing the total dollars on this report by the assessment rate to determine the number of dwelling units, which was 1,125 less than the number of dwelling units on the same report. Management believes the more appropriate methodology would be to divide the total dollar amount on the certified DR-403 form submitted to the State Department of Revenue by the assessment rate to determine the accurate number of dwelling units. Using this methodology, the overpayment would be \$94,180.

Management Actions:

None.

Policy Considerations:

2. Consider pursuing legal action to recover this amount from Republic.

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EXHIBIT E

Finding #5 – Management Response

Management Comments:

Florida Statutes, Sec. 197.3632 addresses use of the Uniform Method of Collection on the tax bill for special assessments and sets out the requisite procedures for that collection. Currently, the Property Appraiser makes the detailed assessment information available to the County by placing it on an FTP site which County employees have access to. This complies with the statutory requirement that the information “conform in format to that contained on the ad valorem roll submitted to the department” later by the Tax Collector. If the Board adopts the non-ad valorem assessment roll it is required to “specify the unit of measurement” and the “amount of the assessment.” That is normally set out in the Final Resolutions. Nothing in the statute requires that a copy of the assessment roll be physically present at the hearing.

By September 15, the Chairman of the Board of County Commissioners must certify the assessment roll to the tax collector “on compatible electronic medium.” There is no requirement that a hard copy of an assessment roll be transmitted or certified. The local government is required to “post the non-ad valorem assessment for each parcel on the roll.” That is done by the Property Appraiser and her electronic roll sent to the Tax Collector which includes every property listed by the tax ID number and each tax and assessment is posted to each property.

The Tax Collector is then required to provide the Department of Revenue with a copy of the assessment roll “containing the data elements and in the format prescribed by the executive director” of Department of Revenue.

No legal authorities have been found which would require a physical copy of the assessment roll, or the Property Appraiser or the County to provide such a copy. Experts in the field of the Uniform Method of Collection confirm that no jurisdictions they work with have actual hard copies of assessment rolls present at hearings.

Management Actions:

Management will work with the Property Appraiser each year to attempt to preserve the Tax Roll on compact disk.

Policy Considerations:

None.

SOLID WASTE ASSESSMENT AUDIT

Audit No. 12-01

EXHIBIT E

Finding #6 – Management Response

Management Comments:

Management has been working with the County Attorney's Office for some time to update the ordinance to coincide with current practices. The new ordinance has been ready to submit to the Board for consideration since late-2011; however, the County Manager delayed Board consideration pending completion of this audit. It should be noted that the current ordinance, along with its multiple amendments, contain outdated provisions not consistent with the modernization of Polk County's solid waste collection practices over the years (i.e., automated collection, once per week residential collection, single stream recycling, etc.)

During the course of this audit, the county manager directed staff, in conjunction with the County Attorney's Office, to complete a comprehensive review of each provision in the 2010 agreement with Republic to determine whether appropriate steps have been taken by both parties to ensure full implementation of the agreement. A report of the findings of this review is available. In summary, management found some provisions of the contract have not been satisfactorily managed by Waste Resource Management nor have all of Republic's responsibilities in the agreement been implemented.

Management Actions:

3. Management is in the process of addressing areas of deficiency by county staff and has informally initiated the dispute resolution process with Republic where appropriate in conjunction with the agreement in anticipation of formal notice as required by the contract.
4. In the near future, the County Attorney and County Manager will submit the new solid waste ordinance for Board consideration.

Policy Considerations:

None.

SOLID WASTE ASSESSMENT AUDIT

Audit No. 12-01

EXHIBIT E

**SUPPLEMENT TO MANAGEMENT RESPONSE
JULY 24, 2012**

The County Attorney and I met with the internal auditor on July 23, 2012, to review the management response to the preliminary draft audit. As a result of additional information provided during that meeting, I offer the following amendments to the original management response:

- In the "General Observations" section on page one, I amend comment #3 to acknowledge the internal auditor did not make "exclusive use of aerial photography" but rather used aerial photography and other source documents.
- In the "Management Comments" section related to "Finding #4" on page five, after reviewing additional information that was provided, I concur in whole with "Finding #4" to include the estimated over-payment amount.



Jim Freeman
County Manager

7-24-12
Date

SOLID WASTE ASSESSMENT AUDIT

Audit No. 12-01

EXHIBIT F

INTERNAL AUDITOR RESPONSE :

We would like to clarify Management's comment in the General Observation section of their response concerning our test work as relates to Assessment Roll corrections made by Waste Resource Management personnel. All of our test populations were net of Assessment Roll corrections made prior to our sample selection date of January 18, 2012. These corrections totaled 1,462. See Exhibit E Managements Response "General Observations".